

AR31



1971 annual report

RAPID GRIP AND BATTEN, LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Reginald A. Batten
William R. Englebright
George C. Gardiner
Douglas R. Keedwell, C.A.
J. Harold Mitchell
Robert M. Sutherland, Q.C.

OFFICERS

George C. Gardiner
President
Douglas R. Keedwell, C.A.
Vice-President and Secretary
Ralph W. Porter, C.A.
Comptroller

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto

AUDITORS

Touche Ross & Co.

BANKERS

The Royal Bank of Canada

SOLICITORS

Fasken & Calvin

HEAD OFFICE

224 Richmond Street West, Toronto

REPORT TO SHAREHOLDERS

On behalf of your Board of Directors, I am pleased to present the Company's Consolidated Balance Sheet as at December 31, 1971, Consolidated Statements of Earnings, Retained Earnings and Working Capital for the year together with the Auditors' Report to Shareholders.

In 1971 consolidated sales amounted to \$10,496,130, a decline of \$455,880 or 4.2% from the previous year. While sales by our motion picture companies improved, printing plate sales declined partly due to the elimination of certain non-profitable sales and products.

Consolidated earnings from operations before extraordinary items amounted to \$415,060 an increase of \$40,295 over 1970. Earnings per class A share were \$1.64 compared with \$1.50 last year and per common share \$1.04 compared with 90¢ last year.

Despite the decline in sales, earnings from printing plate operations were virtually unchanged from the previous year due to reduced operating costs, and the above mentioned elimination of non-profitable sales. Earnings of the other operating companies compared favourably with 1970. Investment income increased as a result of the receipt of a dividend from an associated company.

Dividend payments were made at the annual rate of \$6.00 on the preferred shares and 60¢ on the class A shares.

In March, 1972, a dividend of 10¢ was declared on the common shares being the first dividend payment on these shares since the share sub-division in 1961. The Board of Directors anticipate that this dividend will be declared quarterly.

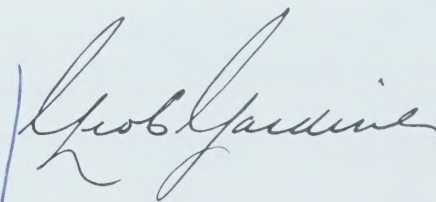
Capital expenditures totalled \$319,071. Of this amount \$171,900 is associated with plants and properties including an extensive renovation in a section of our Montreal building to accommodate our art department which was previously located in leased premises. The balance is related to the general up dating and replacement of plant equipment.

As previously announced the company has under consideration a business merger with Bomac Graphics Limited. An agreement in this connection has not yet been concluded as the parties are awaiting satisfactory tax rulings from the government. Shareholders will be informed as the matter progresses.

While there are indications of a generally improving economic climate thus far there has been no significant change in the market for our products. Traditionally the graphic arts industry is slow to recover from periods of economic contraction and it is doubtful if our industry will experience much expansion before year end. We, like most industries, are subject to persistent inflationary pressures on costs, particularly in our printing plate

operations. Negotiations are presently being carried on with unions for renewal of four labour contracts and a further two will expire by the end of June. We are continuing to concentrate our efforts on the control of all costs and improving the profitability of our printing plate operations which represent a major segment of our business. With the further success of this program it is anticipated that upon the return of a more buoyant economy the printing plate operations will make an improved contribution to the overall earnings of the company.

I would express our appreciation to all those employees who through their thoughtful efforts have made possible an increased profit performance in what has been a difficult business year while maintaining our high standards of quality and service.



President

RAPID GRIP AND BATTEN, LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet at December 31, 1971

ASSETS	1971	1970
CURRENT		
Cash and short-term commercial notes	\$ 677,275	\$ 576,309
Accounts receivable	1,933,708	1,872,280
Marketable securities at cost (approximate market value \$149,600, 1970 — \$105,500) ..	139,449	96,810
Mortgage receivable	298,134	23,346
Materials, supplies and work in process at the lower of cost and net realizable value	219,651	232,359
Prepaid expenses	39,613	30,562
	3,307,831	2,831,669
INVESTMENTS — at cost		
Shares in associated companies (1970 includes advances of \$55,000)	82,000	137,000
Mortgage less current portion	—	295,000
Cash surrender value of life insurance	46,913	23,817
Other investments	8,332	11,342
	137,245	467,159
FIXED		
Plants and properties at cost	5,614,523	5,373,259
Less accumulated depreciation	3,749,958	3,564,610
	1,864,565	1,808,648
	\$5,309,642	\$5,107,476

On behalf of the Board

Geo. C. Gardiner, Director

W. R. Englebright, Director

LIABILITIES	1971	1970
CURRENT		
Accounts payable and accrued	\$ 786,582	\$ 851,488
Dividends payable	23,835	24,277
Income taxes payable	50,510	79,703
	860,928	955,470
DEFERRED INCOME TAXES	34,500	43,200

SHAREHOLDERS' EQUITY (Note 3)		
Share capital	888,813	914,313
Retained earnings	3,525,401	3,194,493
	4,414,214	4,108,806
	\$5,309,642	\$5,107,476

RAPID GRIP AND BATTEN, LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Retained Earnings for the year ended December 31, 1971

	1971	1970
Balance, beginning of year	\$3,194,493	\$2,911,521
Add		
Earnings for the year	420,460	376,252
Surplus on purchase of preferred shares	6,477	4,167
	<u>3,621,431</u>	<u>3,291,940</u>
Deduct		
Dividends on preferred shares	20,130	21,547
Dividends on Class A shares	75,900	75,900
	<u>96,030</u>	<u>97,447</u>
Balance, end of year	\$3,525,401	\$3,194,493

Consolidated Statement of Earnings for the year ended December 31, 1971

	1971	1970
Sales	\$10,496,130	\$10,952,010
Earnings from operations before taking into account the following items	\$ 958,717	\$ 983,740
Deduct		
Depreciation	262,108	261,507
	<u>696,608</u>	<u>722,232</u>
Add		
Investment and other income	98,785	60,599
Earnings from operations before income taxes	795,394	782,832
Income taxes	380,333	408,067
Earnings from operations	415,060	374,765
Income tax reductions on carry-forward of losses	5,400	1,486
Earnings for the year (Note 2)	<u>\$ 420,460</u>	<u>\$ 376,252</u>

See next page (over-leaf) for share figures

Consolidated Statement of Working Capital for the year ended December 31, 1971

	1971	1970
SOURCE OF WORKING CAPITAL		
Earnings from operations	\$ 415,060	\$ 374,765
Depreciation not involving an outlay of funds	262,108	261,507
	677,168	636,273
Less income tax adjustments	3,300	10,813
From operations	673,868	625,460
Decrease in investments	329,913	223,361
Discount on purchase of preferred shares	6,477	4,167
	1,010,260	852,988
APPLICATION OF WORKING CAPITAL		
Increase in plants and properties	318,025	430,780
Purchase of preferred shares	25,500	16,500
Dividends	96,030	97,447
	439,555	544,727
Net increase in working capital for the year	570,704	308,261
Working capital beginning of year	1,876,199	1,567,938
Working capital end of year	\$2,446,903	\$1,876,199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1971

1. The financial statements consolidate the accounts of the Company and its subsidiaries Filmpro Limited, Rabko Television Productions Co. Limited, Arco Advertisers Revisions Limited, Fairbairn Studio Limited and Medallion Film Laboratories Limited.

2. Comparative earnings per share are:

	Before Extraordinary Items		After Extraordinary Items	
	1971	1970	1971	1970
Preferred — distributed	<u>\$6.00</u>	<u>\$6.00</u>	<u>\$6.00</u>	<u>\$6.00</u>
Class A — distributed	<u>\$.60</u>	<u>\$.60</u>	<u>\$.60</u>	<u>\$.60</u>
— undistributed	<u>1.04</u>	<u>.90</u>	<u>1.06</u>	<u>.91</u>
	<u>\$1.64</u>	<u>\$1.50</u>	<u>\$1.66</u>	<u>\$1.51</u>
Common — undistributed	<u>\$1.04</u>	<u>\$.90</u>	<u>\$1.06</u>	<u>\$.91</u>

3. Share capital

	Preferred Shares	Amount
Authorized 10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104		
Issued	4,000	\$400,000
Less purchased for cancellation	765	76,500
Outstanding	<u>3,235</u>	<u>323,500</u>
	Class A Shares	Common Shares
Authorized 200,000 60¢ cumulative participating Class A shares and 200,000 common shares, all without nominal or par value		
Issued and outstanding	<u>126,500</u>	<u>178,500</u>
		<u>565,313</u>
		<u>\$888,813</u>

Preferred shares have been purchased for cancellation in accordance with the terms of issue and include 255 shares purchased during the year. As the result of such purchases retained earnings in the amount of \$76,500 and equivalent to the par value of the shares cancelled are not available for distribution.

4. Remuneration of directors and officers

- (a) During the year the Company had 14 directors whose aggregate remuneration as directors amounted to \$2,200 (1970 — \$500). In addition, a director was engaged as corporate consultant to the Company at an annual retainer of \$5,000.
- (b) During the year the Company had 10 officers (as defined by the Act) of whom 7 are past officers. The aggregate remuneration received by these officers amounted to \$247,676 (1970 — \$177,014) of which \$177,351 was paid by the Company and \$70,325 by subsidiaries.
- (c) Nine of the officers were also directors.

5. Since early in 1971 the Company has been investigating the possibility of a business merger with Bomac Graphics Limited with the principals of such company. No agreement has been reached to date but negotiations are continuing.

6. The Company has guaranteed loans of associated companies to the extent of \$152,000.

AUDITORS' REPORT

The Shareholders,
Rapid Grip and Batten, Limited

We have examined the consolidated balance sheet of Rapid Grip and Batten, Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and working capital for the year then ended. Our examination of the financial statements of Rapid Grip and Batten, Limited and the subsidiary of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1971, the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 29, 1972.

TOUCHE ROSS & CO.
Chartered Accountants.

FIVE YEAR FINANCIAL SUMMARY

	1971	1970	1969	1968	1967
CURRENT POSITION					
Current assets	\$ 3,307,831	\$ 2,831,669	\$ 2,656,117	\$1,962,194	\$1,937,832
Current liabilities	\$ 860,928	\$ 955,470	\$ 1,088,178	\$ 953,416	\$ 881,173
Working capital	\$ 2,446,903	\$ 1,876,199	\$ 1,567,938	\$1,008,777	\$1,056,659
Current ratio	3.8	2.9	2.4	2.0	2.2
PROPERTY, PLANT & EQUIPMENT					
Investment in property, plant equipment and improvements	\$ 5,614,523	\$ 5,373,259	\$ 4,996,306	\$4,925,422	\$4,784,337
Accumulated depreciation	\$ 3,749,958	\$ 3,564,610	\$ 3,356,931	\$3,071,134	\$2,931,876
Provision for depreciation	\$ 262,108	\$ 261,507	\$ 214,262	\$ 182,034	\$ 179,318
Expenditures	\$ 319,071	\$ 446,051	\$ 177,923	\$ 188,607	\$ 417,663
SHAREHOLDERS' EQUITY					
Preferred stock	\$ 323,500	\$ 349,000	\$ 365,500	\$ 380,000	\$ 391,500
Class A and common stock	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313
Retained earnings	\$ 3,525,401	\$ 3,194,493	\$ 2,911,521	\$2,327,495	\$2,220,565
Class A and common equity	\$ 4,090,714	\$ 3,759,806	\$ 3,476,834	\$2,892,808	\$2,785,878
Per share	\$ 13.41	\$ 12.32	\$ 11.39	\$ 9.48	\$ 9.13
SALES					
SALES	\$10,496,130	\$10,952,010	\$10,293,680	\$8,464,353	\$8,074,620
EARNINGS					
Earnings from operations	\$ 415,060	\$ 374,765	\$ 351,021	\$ 182,845	\$ 275,088
Per Class A share —distributed	\$.60	\$.60	\$.60	\$.60	\$.60
—undistributed	\$ 1.04	\$.90	\$.82	\$.27	\$.57
—total	\$ 1.64	\$ 1.50	\$ 1.42	\$.87	\$ 1.17
Per common share —undistributed	\$ 1.04	\$.90	\$.82	\$.27	\$.57
Earnings after extraordinary items	\$ 420,460	\$ 376,252	\$ 673,573	\$ 184,545	\$ 322,088
Per preferred share —available	\$ 129.97	\$ 107.80	\$ 184.28	\$ 48.56	\$ 82.27
—distributed	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Per Class A share —distributed	\$.60	\$.60	\$.60	\$.60	\$.60
—undistributed	\$ 1.06	\$.91	\$ 1.88	\$.28	\$.72
—total	\$ 1.66	\$ 1.51	\$ 2.48	\$.88	\$ 1.32
Per common share —undistributed	\$ 1.06	\$.91	\$ 1.88	\$.28	\$.72

COMPANIES AND PRODUCTS



RAPID GRIP AND BATTEN, LIMITED

RAPID GRIP ET BATTEN, LIMITEE

The parent company with complete printing platemaking plants in Toronto, Ottawa and Montreal.

N. H. Clark, *General Sales Manager*, Toronto
D. S. Guest, *Manager*, Toronto Branch
W. A. Herold, *Manager*, Herold & Garbe Branch
R. L. Munro, *Manager*, Montreal Branch
D. A. Williams, *Manager*, Ottawa Branch

Herold & Garbe

HEROLD & GARBE, TORONTO

Offset reproductions and press plates.

tempus

TEMPUS STUDIO, MONTREAL

Art and design.



RABKO TELEVISION PRODUCTIONS CO. LIMITED,
TORONTO AND MONTREAL

Motion picture producers for television and industry.

D. C. McLean, *Vice-President and Manager*



MEDALLION FILM LABORATORIES LIMITED, TORONTO

Processors and distributors of professional motion picture film, color and black and white.

W. C. James, *Vice-President and Manager*



FAIRBAIRN STUDIO LIMITED, OTTAWA

Art and design.

D. A. Williams, *Manager*

ASSOCIATED COMPANIES



ARNOTT ROGERS BATTEN LTD., MONTREAL

Photography and film processing.

G. F. Rogers, *President*



ART ASSOCIATES LIMITED, TORONTO

Art and photography.

R. G. Scott, *President*



SHOW SET CONSTRUCTION & DESIGN LIMITED, TORONTO

Design and construction for the performing arts.

W. H. Collett, *President*



RAPID GRIP AND BATTEN, LIMITED

AR31



interim report

CONSOLIDATED STATEMENT OF WORKING CAPITAL

(Unaudited)

For the six months ending June 30

	1971	1970 (see note)
SOURCE OF WORKING CAPITAL		
Earnings.....	\$ 138,191	\$ 117,196
Depreciation not requiring an outlay of funds.....	129,909	135,010
Discount on purchase of preferred shares.....	2,790	1,227
Decrease in investments.....	—	57,380
	<u>270,890</u>	<u>310,813</u>
APPLICATION OF WORKING CAPITAL		
Increase in plants and properties.....	64,245	167,941
Purchase of preferred shares.....	10,000	5,500
Dividends declared.....	72,315	73,170
Increase in investments.....	7,296	—
	<u>153,856</u>	<u>246,611</u>
Net increase in working capital for the period.....	117,034	64,202
Working capital beginning of period.....	1,876,199	1,567,938
Working capital end of period.....	<u>\$1,993,233</u>	<u>\$1,632,140</u>

NOTE: Due to changes in accounting procedures, earnings for the first six months of 1971 are not comparable with the same period in 1970. These changes permit a more efficient operating control throughout the fiscal year over labour costs and inventories, and will provide interim results to shareholders on the same basis as annual accounts.

August 23, 1971

To the Shareholders:

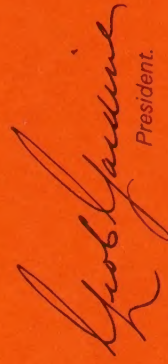
Consolidated sales for the six months ending June 30, 1971 decreased by 4.9% in comparison with the same period last year. This decrease is primarily due to a reduction in the market for printed advertising and therefore a reduced demand for printing plates.

The following is an unaudited summary of operations for the six month periods:

	1971	1970
Sales.....	(see note) \$5,274,082	\$5,546,581
Earnings before income taxes, \$	285,394	227,948
Income taxes,	147,203	116,519
	<u>138,191</u>	<u>111,429</u>
Income tax reductions on carry-forward of losses	—	5,767
Earnings for the period,	<u>\$ 138,191</u>	<u>\$ 117,196</u>
Earnings per share:		
Class A —distributed,	.30	.30
—undistributed,	.29	.22
	<u>\$.59</u>	<u>\$.52</u>
Common—undistributed,	<u>\$.29</u>	<u>\$.22</u>

The increase in earnings is due to the changes in accounting procedures referred to in the accompanying note, the depressing effect on last year's results of the strike in our Toronto photoengraving plant and an improvement in profit margins through the introduction of more effective cost controls.

The present economic uncertainties suggest a continuing pressure on sales volumes. Our cost control benefits however will continue and we would expect to participate fully on any general improvement in market conditions.


President.